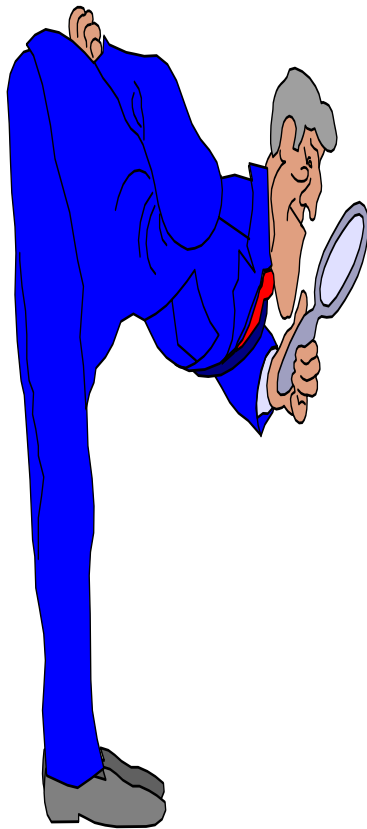


Key Ideas

Chapter 10: Provisions for Emergency Borrowing & Borrowing for Fire Fighting Apparatus, Equipment and Housing of Same



In this section, we will discuss the following:

- *Procedures for emergency borrowing or borrowing for fire fighting apparatus or equipment.*
- *Use of the Cumulative Fire Fund for payments.*

**PROVISIONS FOR EMERGENCY BORROWING (IC 36-6-6-14)
& BORROWING FOR FIRE FIGHTING APPARATUS, EQUIPMENT AND HOUSING
OF SAME (IC 36-8-13-6)**

For townships wanting to borrow money for emergencies under IC 36-6-6-14 and/or for fire apparatus, equipment or housing of equipment under IC 36-8-13-6, the following steps should be followed. Indebtedness of the township must be approved by the Department of Local Government Finance under IC 6-1.1-18.5-8(b).



*Indebtedness of the township must be approved by the
Department of Local Government Finance.*

The following outlines the procedures for emergency borrowing or borrowing for fire fighting apparatus or equipment.

STEP 1: NOTICE OF PUBLIC HEARING IS PUBLISHED

A Notice of Public Hearing (recommended form attached at the end of the chapter) should be published pursuant to IC 5-3-1-2(b) one (1) time at least ten (10) days before the public hearing in two newspapers that are published in the township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper. The political affiliation of the newspaper is no longer relevant when publishing notices.

Ex: Public hearing to be held June 25. The notice should be published no later than June 15.



*A Notice of Public Hearing (recommended form attached)
should be published pursuant to IC 5-3-1-2(b) one (1) time at
least ten (10) days before the public hearing in two newspapers
that are published in the township.*

STEP 2: PUBLIC HEARING CONCERNING BORROWING IS HELD

For either type of borrowing, a special meeting is held to determine whether or not to borrow money for the emergency (IC 36-6-6-14) or fire equipment and/or housing of fire equipment (IC 36-8-13-6).

IC 36-6-6-14 states: " (a) a special meeting may be held by the legislative body (township board) if the executive (trustee), the chairman of the legislative body, or a majority of the members of the legislative body issue a written notice of the meeting to each member of the legislative body. The notice must state the time, place and purpose of the meeting."

STEP 3: RESOLUTION TO BORROW IS ADOPTED/ PETITION FOR APPROVAL OF DEPARTMENT OF LOCAL GOVERNMENT FINANCE IS ADOPTED

At the public hearing, the executive (trustee) and legislative body (township board) determines whether or not to borrow the necessary money from a financial institution in Indiana. The maximum amount of the loan is designated at the hearing.

EMERGENCY LOANS:

IC 36-6-6-14 specifically states: "(b) At the special meeting, if two (2) or more members give their consent, the legislative body may determine whether there is an emergency requiring the expenditure of monies not included in the township's budget estimates and levy. Subject to section 14.5 of this chapter, if the legislative body finds that such an emergency exists, it may issue a special order, entered and signed on the record, authorizing the executive to borrow a specified amount of money sufficient to meet the emergency."

FIRE LOANS/INSTALLMENT CONTRACTS:

IC 36-8-13-6 states: "(a) . . . the executive (trustee) and legislative body (township board), on behalf of the township, may also borrow the necessary money from a financial institution in Indiana to make the purchase on the same terms. They shall, on behalf of the township, execute and deliver to the institution the negotiable note or bond of the township for the sum borrowed. The note or bond must bear interest, with both principal and interest payable in equal or approximately equal installments on January 1 and July 1 each year over a period not exceeding six (6) years."

Townships, Fire Districts or Fire Protection Territories may borrow for a period not to exceed fifteen (15) years if:

the total assessed value of the district is twenty million dollars (\$20,000,000) or less, as determined by the Department of Local Government Finance; and
is purchasing the fire fighting equipment with funding from the :
State or its instrumentalities; or
Federal government or its instrumentalities.

STEP 4: NOTICE OF DETERMINATION TO INCUR DEBT IS PUBLISHED

Within 30 days after a determination is made to incur debt (at the public hearing) under IC 36-6-6-14 or IC 36-8-13-6, a notice (recommended format attached at the end of the chapter) is published according to IC 5-3-1-2(h), one (1) time in two newspapers that are published in the

township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper.

Ex. Public hearing was held on June 25. At that time, the township board decided to incur a debt in the amount of \$100,000. A second notice is published by July 25 that notifies taxpayers of the township's intent to borrow \$100,000 and the time frame for any objecting petitions to be filed.

NOTICE OF DETERMINATION (sample at end of chapter) should state the amount and purpose of the loan. The amount stated should not exceed what the Township Board authorized the trustee to borrow at the public hearing. The notice should also state that ten (10) taxpayers disagreeing with the determination may file a petition in the County Auditor's office. If no objection petition is filed, a CERTIFICATE OF NO OBJECTION (sample form at end of chapter) must be obtained from the County Auditor. It is the trustee's responsibility to obtain the Certificate of No Objection from the County Auditor. If no objecting petition is filed, skip to STEP 8.



The amount stated should not exceed what the Township Board authorized the trustee to borrow at the public hearing. The notice should also state that ten (10) taxpayers disagreeing with the determination may file a petition in the County Auditor's office.

STEP 5: TAXPAYERS MAY FILE AN OBJECTING PETITION

Not more than 30 days after the NOTICE OF DETERMINATION is published, ten (10) or more taxpayers who disagree with the determination to obtain a loan may file a petition with the County Auditor. The petition must state the taxpayer's objections and the reasons why the taxpayers believe the borrowing to be unnecessary or unwise.

STEP 6: COUNTY AUDITOR CERTIFIES OBJECTION PETITION TO THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE

The County Auditor shall immediately certify a copy of the objection petition indicating which signatures are taxpayers of the taxing districts affected by the borrowing. The certification together with other data necessary to present the questions involved is sent to the Department of Local Government Finance.

STEP 7: DEPARTMENT OF LOCAL GOVERNMENT FINANCE HOLDS OBJECTION HEARING IN THE COUNTY WHERE THE TOWNSHIP IS LOCATED

Upon receipt of the certified objection petition and other data, the Department of Local Government Finance shall fix a time and place for a hearing of the matter. The hearing shall be held not less than five (5) and not more than thirty (30) days after receipt of the certified documents.



Even if the Cumulative Fire Fund (also outside the levy limitations when established by a township) is used for payments, IC 6-1.1-18.5-8(b) must be followed.

The hearing shall be held in the county where the petition arose. The Department of Local Government Finance shall by mail give Notice of Hearing to the township and the first ten (10) taxpayer petitioners listed on the petition. This letter shall be sent to the taxpayers usual place of residence at least five (5) days before the hearing.

STEP 8: QUOTES SOLICITED FROM BANKS ON INTEREST RATES

(This step may occur any time after STEP 2 but before STEP 9.)

Banks are contacted for quotes on interest rates, terms and amortization schedules. It is not required that the township use the bank(s) where other funds are deposited. In addition, banks outside the township or county may be used for these types of loans. The bank must be located in the State of Indiana.

Interest rates above 8% require special approval from the Department of Local Government Finance (IC 6-1.1-20-7). Emergency loans (IC 36-6-6-14) are to be repaid in one year. Exceptions to one-year repayment are granted only under extreme circumstances. Fire loans must by statute not extend beyond six (6) years.



It is not required that the township use the bank(s) where other funds are deposited. In addition, banks outside the township or county may be used for these types of loans.

STEP 9: TOWNSHIP PETITION FOR APPROVAL OF INDEBTEDNESS IS SENT TO THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE

IC 6-1.1-18.5-8(b) requires that before a civil taxing unit may incur indebtedness, the unit must obtain approval from the Department of Local Government Finance. This approval insures that

an exempt levy (debt service outside the maximum levy limitations) may be charged for loan payments. **Even if the Cumulative Fire Fund (also outside the levy limitations when established by a township) is used for payments, IC 6-1.1-18.5-8(b) must be followed.** The Cumulative Fire Fund is not an entitlement once established. It is annually subject to taxpayer objection rights and the annual budget process. Once a loan is approved by the Department of Local Government Finance, the Department must insure that tax levies are included in the township budget for loan payments. This protects the entity making the loan and protects the taxpayers' investment in items purchased.

In order to obtain Department approval, the township must forward a petition and complete transcript of proceedings to:

ADMINISTRATIVE OFFICER, LOCAL GOVERNMENT TAX CONTROL BOARD,
IGCN, 100 N. SENATE AVE., N1058
INDIANAPOLIS IN 46204.

The transcript must include:

1. Proofs of Publication from the Notices of Public Hearing and the Notice to Incur Debt;
2. Resolution of Determination to Incur Indebtedness; and
3. Petition for Approval to Incur Debt.
4. County Auditor's Certificate of No Remonstrance.
5. Petition to the DLGF for approval of indebtedness and request to be placed on the Local Government Tax Control Board (LGTCB) agenda.
6. Completed hearing information sheet (See step 10).

STEP 10: DEPARTMENT FORWARDS PETITION FOR APPROVAL OF INDEBTEDNESS TO THE LGTCB. LGTCB INFORMATION SHEET IS RECEIVED BY THE TOWNSHIP, COMPLETED & RETURNED

The Township's petition to Department of Local Government Finance for debt approval may be referred to the Local Government Tax Control Board (LGTCB) for recommendation (IC 6-1.1-18.5-8(b)). The Administrative Officer of the Control Board will schedule the request for the next LGTCB meeting. These meetings are normally held on the 4th Thursday of each month. To be on a particular month's agenda, the petition must be received no later than one month in advance of the Control Board meeting. An information sheet concerning the amount of loan requested, the need for the loan and tax rate impact will be sent to the Trustee. The information sheet and other relevant data must be completed and returned to the Administrative Officer no later than two weeks prior to the LGTCB meeting.



To be on a particular month's agenda, the petition must be received no later than one month in advance of the Control Board meeting.

If STEPS 6-8 occur, the recommendation of the Hearing Officer from the objection hearing may be provided to the Control Board as reference material.

STEP 11: TOWNSHIP ADVERTISES FOR AND OPENS BIDS FOR PROJECTS WHERE THE PURCHASE PRICE, OR WHEN THE TOTAL PAYMENTS OF AN INSTALLMENT CONTRACT EXCEEDS \$25,000

(This step may occur anytime after STEP 2 and before STEP 12).

If there are questions concerning the bid process, please contact State Board of Accounts at 317-232-2520. IC 36-1-9.5 and IC 5-22-8 outlines bid requirements.

Notice of the request for bids is given according to IC 5-3-1 which requires two (2) insertions at least one week apart, with the second publication made at least ten (10) days before the date the bids will be received in two newspapers that are published in the township. If no newspapers are published in the township, then two newspapers published in the county may be used. If only one newspaper is published in the county, then publication in one newspaper is sufficient. The number of newspapers used has nothing to do with the number of times it must appear in the paper.

Ex: Bids will be opened on June 25. The first insertion must be no later than June 8 with the second insertion no later than June 15. This meets the requirements of one week between the notices with the second notice at least ten days before the opening of bids.



Notice of the request for bids is given according to IC 5-3-1 which requires two (2) insertions at least one week apart, with the second publication made at least ten (10) days before the date the bids will be received in two newspapers that are published in the township.

STEP 12: LOCAL GOVERNMENT TAX CONTROL BOARD HEARING

Notice of the hearing day and time will be sent to the trustee. This notice includes a copy of the hearing information sheet be completed by the trustee and submitted to the Department of Local Government Finance office prior to the date of the hearing.

The Control Board will make a recommendation to the Department of Local Government Finance to approve, disapprove, or modify the request. The Department of Local Government Finance makes a decision upon review of the testimony given and the evidence presented.



The Control Board will make a recommendation to the Department of Local Government Finance to approve, disapprove, or modify the request. The Department of Local Government Finance makes a decision upon review of the testimony given and the evidence

STEP 13: DEPARTMENT ISSUES LOAN ORDER

An order approving, disapproving, or modifying the indebtedness request will be issued. While the Department must issue an order within three (3) months of the original request for approval, it normally takes less than two (2) weeks after the LGTCB hearing. Unless special permission has been requested and granted to exceed 8%, the order will be subject to an interest rate not exceeding 8%. Emergency loans must be repaid in one (1) year, and fire loans/installment contracts paid in no more than six (6) years.



Unless special permission has been requested and granted to exceed 8%, the order will be subject to an interest rate not exceeding 8%.

STEP 14: PROCEEDS OF LOAN ARE APPROPRIATED

When the township receives approval of the loan, it may appropriate the proceeds of the loan and other funds on hand for the purposes for which the loan was obtained. The trustee must follow the procedures for an additional appropriation. (See Chapter 7)

STEP 15: TOWNSHIP AWARDS BIDS IF PROJECT IS SUBJECT TO IC 36-1-9-3 (\$25,000 OR MORE)

After receipt of the debt approval order and additional appropriation order from the Department of Local Government Finance, the township board may award bids for the purchase (if the loan is for a purchase requiring bidding) to the lowest responsible and responsive bidder. To determine the criteria for responsive and responsible, see IC 36-1-9-3(i & j), or contact the State Board of Accounts.

STEP 16: TOWNSHIP BORROWS MONEY FROM FINANCIAL INSTITUTION

Based on interest rate quotes solicited from banks in STEP 9, the loan or installment contract is executed.

STEP 17: TOWNSHIP LEVIES DEBT SERVICE FUND WITH NEXT ANNUAL BUDGET TO PAY INTEREST AND PRINCIPAL ON LOAN

As a part of the annual budget, the township shall include a debt service fund to pay principal and interest on the loan or installment contract payments in the ensuing budget year. The Department of Local Government Finance must insure that the proper repayment amounts are calculated for the township debt service.



The Department of Local Government Finance must insure that the proper repayment amounts are calculated for the township debt service.

SUMMARY OF THE PROCEDURES FOR EMERGENCY BORROWING OR BORROWING FOR FIRE FIGHTING APPARATUS OR EQUIPMENT

- Step 1:** Notice of public hearing is published.
- Step 2:** Public hearing concerning borrowing is held.
- Step 3:** Resolution to borrow is adopted/ petition for approval of the DLGF is adopted.
- Step 4:** Notice of determination to incur debt is published.
- Step 5:** Taxpayers may file an objecting petition.
- Step 6:** County Auditor certifies objection petition to the DLGF.
- Step 7:** Department of Local Government Finance holds objection hearing in the county where the township is located.
- Step 8:** The Trustee solicits quotes from banks on interest rates.
- Step 9:** Township Petition for Approval of Indebtedness is sent to Department.
- Step 10:** Department Forwards Petition for Approval of Indebtedness to the LGTCB. LGTCB information sheet is received by the township, completed & returned.
- Step 11:** Township advertises for and opens bids for projects where the purchase price, or when the total payments of an installment contract exceeds \$25,000.
- Step 12:** Local government tax control board hearing.

SUMMARY OF THE PROCEDURES FOR EMERGENCY BORROWING OR BORROWING FOR FIRE FIGHTING APPARATUS OR EQUIPMENT *Summary of*

Step 13: The DLGF issues loan order .

Step 14: The Township board appropriates the proceeds of loan.

Step 15: Township awards bids if project is subject to IC 36-1-9-3 (\$25,000 or more)

Step 16: Township borrows money from financial institution.

Step 17: Township levies debt service fund with next annual budget to pay interest and principal on loan

**PETITION TO THE LOCAL GOVERNMENT TAX CONTROL BOARD
TO INCUR INDEBTEDNESS**

Whereas, it has been determined by the Township Trustee and Township Board of _____
Township, _____ County, Indiana, that a need exists for a: (check one)
_____ Fire Loan IC 35-8-13-6 in the amount of \$ _____

_____ Emergency Borrowing IC 36-6-6-14 for: (check one)

_____ Fire in the amount of \$ _____

_____ Township in the amount of \$ _____

_____ Poor Relief in the amount of \$ _____

The loan/emergency borrowing is needed for the following purposes:

We respectfully request to be put on the agenda of the Local Government Tax Control Board for their meeting
scheduled on _____, 2002, to seek approval to incur debt for _____
Township, located in _____ County, Indiana.

Dated this _____ day of _____, 2002.

_____, President

_____, Secretary

_____, Member

Attest: _____

The Department of Local Government Finance shall mail all correspondence to the following address:

(Name) _____

(Address) _____

(City/State/Zip) _____

Phone # of contact person: _____

**NOTICE OF PUBLIC HEARING
TO TAXPAYERS OF _____ TOWNSHIP**

The taxpayers of _____ township are notified that on _____, 20__, at _____ o'clock, the township trustee and township board will meet to discuss incurring indebtedness for:

\$_____ for an emergency loan pursuant to IC 36-6-6-14

\$_____ for the purchase of fire equipment/housing pursuant to IC 36-8-13-6.

Taxpayers shall have the right to be heard. A determination whether or not to borrow and the maximum amount of loan may be made at this hearing. If a determination is made, a Notice will be published pursuant to statute. Affected taxpayers shall have the right to file objection petitions with the County Auditor within 30 days of publication of the Notice of Determination.

TOWNSHIP BOARD

TOWNSHIP TRUSTEE

**NOTICE OF DETERMINATION TO INCUR DEBT TO THE
TAXPAYERS OF _____ TOWNSHIP**

Notice is given to taxpayers of _____ township that on _____, 20__ the trustee and township board of _____ township determined to incur a loan in the amount of \$_____ for the purpose of :

Said loan to be repaid in 1 to 6 years. Repayment will begin with taxes payable in the year _____. Ten (10) or more taxpayers objecting to this loan may file petitions within 30 days of this notice with the _____ County Auditor stating their objections to the loan and the reasons why the loan is unnecessary or unwise.

If an objecting petition is filed, the County Auditor shall certify the petition to the Department of Local Government Finance who shall hold a hearing on the matter in the county not less than five (5) or more than thirty (30) days after receipt of the certified petition from the County Auditor. Notice of hearing shall be provided by mail to the township and the first ten (10) taxpayers listed on the petition. Taxpayers present shall have the right to be heard. Determination of the Department of Local Government Finance is final.

_____ Township Trustee

RESOLUTION/SPECIAL ORDER DETERMINING TO INCUR DEBT

Minutes of the Township Board of _____,
Township, _____ County, held this _____
day of 20____.

The Township Board of _____ Township,
_____ County, Indiana, met with _____ Trustee, at _____,
at _____ o'clock a.m./p.m., pursuant to Notice of Hearing on incurring indebtedness with _____
members present. The meeting was called to order by said Trustee who read the Notice
to Taxpayers, which stated the purpose of the meeting. The Township Board found that a
need exists to incur a loan in the amount of \$_____, and proper notice having
been given by publication the following resolution was presented:

BE IT RESOLVED by the Township Board of _____
Township, _____ County, Indiana that a need now exists for
incurring a loan in the amount of \$_____.

BE IT FURTHER RESOLVED that this Board will adhere to the provisions of IC
36-8-13-6 / IC 36-6-6-14. Loan repayment may be levied outside the present maximum
levy limitations for a period from 1 to 6 years. Repayment will be levied beginning with
taxes payable beginning in the year _____.

Said loan is subject to the approval of the Department of Local Government Finance.
Duly adopted by the following vote of the members of said Township Board.

Dated this _____ day of _____, 20_____.

NAYS

AYES

-----President

-----Secretary

-----Member

Attest:

-----Trustee

-----Township _____ County

CERTIFICATE OF NO OBJECTION

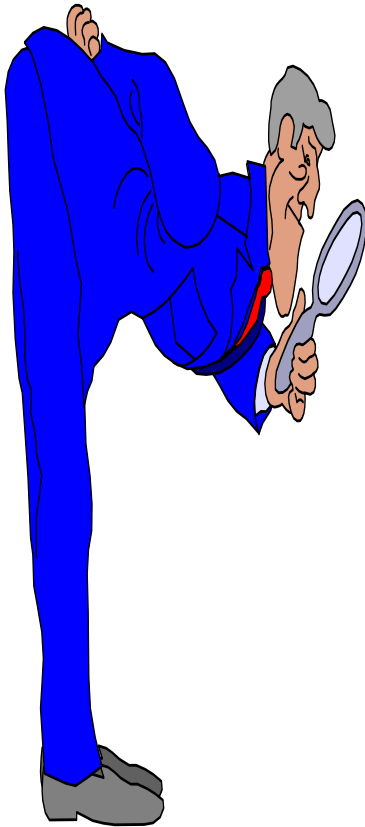
I, _____ Auditor of
_____ County, Indiana, do hereby certify
that there were no objections filed on the proposed
Emergency Loan IC 36-6-6-14/ Fire Loan IC 35-8-13-6 as
adopted by the _____ township board
on _____. Notice of Determination to
Incur Debt was published on _____, 20____ in the
_____ newspaper and on _____, 20____
_____ newspaper.

Dated this _____ day of _____, 20____

_____ County Auditor

Summary

Chapter 10: Provisions for Emergency Borrowing & Borrowing for Fire Fighting Apparatus, Equipment and Housing of Same

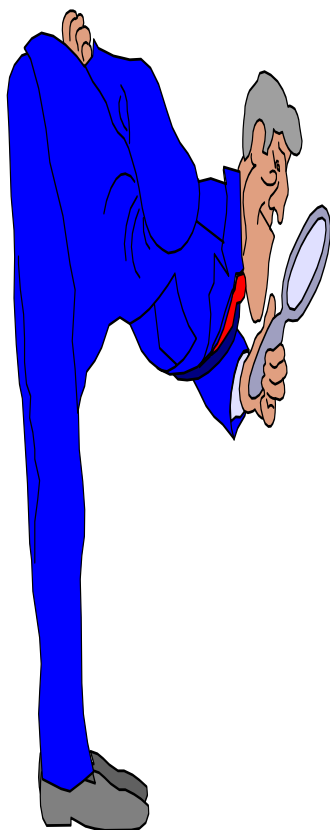


In this section, we have discussed the following:

- *The township trustee must petition for approval of the indebtedness.*
- *The DLGF must approve the indebtedness of the township.*
- *A Notice of Public Hearing should be published pursuant to IC 5-3-1-2(b) one (1) time at least ten before the public hearing in two newspapers that are published in the township.*
- *The Township must advertise a notice that affords taxpayers the opportunity to remonstrate against the loan.. The notice should also state that ten (10) taxpayers disagreeing with the determination may file a petition in the County Auditor's office.*

Summary (Continued)

Chapter 10



In this section, we have discussed the following:

- *It is not required that the township use the bank(s) where other funds are deposited. In addition, banks outside the township or county may be used for these types of loans.*
- *To be on a particular month's agenda, the petition must be received no later than one month in advance of the Control Board meeting.*
- *Notice of the request for bids is given according to IC 5-3-1 which requires two (2) insertions at least one week apart, with the second publication made at least ten (10) days before the date the bids will be received in two newspapers that are published in the township.*
- *The Control Board will make a recommendation to the Department of Local Government Finance to approve, disapprove, or modify the request. The Department of Local Government Finance decision is final.*
- *Unless special permission has been requested and granted to exceed 8%, the order will be subject to an interest rate not exceeding 8%.*
- *The Department of Local Government Finance must insure that the proper repayment amounts are calculated for the township debt service.*

Appendix

FREQUENTLY USED TERMS

Term	Definition
102% Levy (Chapter 6)	102% of the fund tax levies as approved by the Department of Local Government Finance
Appropriation (Chapter 7)	Authority by Township Board to expend funds
Budget Form 1 (Chapter 6)	Budget form used to estimate budgetary needs, by line item, for the ensuing budget year
Budget Form 2 (Chapter 6)	Budget form used to estimate revenues, other than tax money. The form consists of two columns, Column A represents the period July 1 to December 31 of the current budget year. Column B represent the period January 1 to December 31 of the ensuing budget year
Budget Form 3 (Chapter 6)	Budget form used to advertise the date of the public hearing, adoption meeting, budget and levy for the ensuing budget year. The form also informs taxpayers of the maximum permissible levy and appeal rights
Budget Form 4 (Chapter 6)	Budget form used by the Township Board approving (adopting) major budget fund classifications for the ensuing budget year
Budget Form 4B (Chapter 6)	Budget form used to produce a fund tax rate. Form indicates the financial information necessary to fund the ensuing budget.
Budget Form 5 (Chapter 6)	Budget form used to certify the budget proceedings and adopted tax rates
Cash (Chapter 6)	Monies on hand or invested as evidenced by entry in the unit's ledger
Controlled Levy (Chapter 6)	Tax monies raised which are chargeable against the Maximum Permissible Levy such as General Fund, Poor Relief Fund, Recreation Fund and Fire Fund
Ensuing Budget Year (Chapter 6)	The next upcoming budget year which runs from January 1 to December 31. Also know as incoming budget year

Excessive Levy (Chapter 8)	An amount of money, which exceeds the maximum permissible levy. Can become a permanent increase or a one-year increase depending upon the type of appeal submitted. Appeal must be submitted to the Department of Local Government Finance on or before October 1 of the current year
Exempt Levy (Chapter 6)	Tax monies raised which are outside the Maximum Permissible Levy such as Debt Service Fund and Cumulative Fire Fund
Fiscal Body (Chapter 7)	Township Board
Levy Excess (Chapter 6)	That amount of money which is actually raised in excess of 102% of the fund levy approved by the Department of Local Government Finance
Local Government Tax Control Board (Chapter 8)	Seven member board which holds hearings for excessive levy appeals and debt service requests and <u>recommends</u> approval, disapproval or modification to such requests
Maximum Permissible Levy (Maximum Levy) (Chapter 5)	The maximum amount of tax money which may be raised in any budget year as determined by the Department of Local Government Finance
Township Executive (Chapter 2)	Township Trustee

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